UK200Group news issue 2 2016

agriculture

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consumers demand action for fairer food production

According to a report 'Assessing public support for regulation for fairer trading practices', which was published in June 2016 by strategy consultancy GlobeScan, consumers are demanding action to ensure fairer food production and prices for farmers and producers.

An online survey carried out as part of the report by GlobeScan has revealed that 74% of UK consumers who were polled believed that more could be done, by food production companies, retailers and the Government, to ensure farmers receive a fair price and make food production more sustainable for future generations. The main priorities highlighted by consumers that require government action include steps to ensure food safety and safe working conditions for producers.

Almost all survey respondents (92%) said that fair and sustainable food production was the responsibility of food production companies and retailers, while 85% felt the Government should take responsibility for ensuring food production is fair and sustainable. Around 64% of respondents believed that farmers, both in the UK and abroad, were not paid a fair price for their produce. However, while 65% acknowledged that responsibly produced food would be more expensive, 58% said they would be prepared to pay more for food that was produced by people who received a fair wage and whose human rights were respected. Despite this, only 43% recognised a link between low prices and the future availability of food.

There is tangible evidence of the link between low food prices and the long term sustainability of food production in the UK. For example, the effect of low and continually falling farm gate prices has resulted in the closure of many farms in the UK in recent years. Around 10% of dairy farms in England and Wales closed between 2013 and 2016, and over the same period the average farm gate milk price fell from 34.4 pence per litre (in December 2013) to 20.57 pence per litre (in July 2016). According to the Agriculture and Horticulture Development Board (AHDB), the county with the greatest rate of dairy farm closures was Berkshire, where a third of dairy farms had closed, while the county with the highest number of closures was North Yorkshire, where 89 farms closed.

The number of small mixed family farms across the UK has also fallen significantly over the last twenty to thirty years. A report by the Prince's Countryside Fund, published in July 2016, has revealed that in recent decades the number of farms has fallen by half and many smaller farms have been absorbed into larger farms that have expanded. This has been attributed both to volatility in the prices of farm produce (meaning that larger volumes of output are required in order to achieve the same net income), and to a lack of retirement provision and succession planning. The Prince's Countryside Fund report has recommended a number of measures to improve the viability of small farms, including up-skilling the sector, improving small farm resilience and encouraging new entrants into agriculture.

For further information go to:
http://bit.ly/2cxyp8u
http://bit.ly/2aZ3PoG
http://bit.ly/2dsRQfM

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farmland prices expected to fall following sharp drop in demand

Farmland prices expected to fall following sharp drop in demand. Almost half of chartered surveyors expect prices for farmland in Great Britain to fall over the next ten months, according to the Royal Institute of Chartered Surveyors (RICS) Rural Land Market Survey H1 2016. Of the RICS members questioned for the survey, 49% believed the value of farmland in England, Wales and Scotland will fall during H2 2016 and H1 2017. Demand for farmland fell sharply during the first six months of 2016 and the amount of farmland available increased over the same period, but only very modestly according to RICS.

Commenting on the findings of the H1 2016 survey, RICS Senior Economist Jeff Matsu explained that uncertainty following the vote to leave the EU and volatile commodity prices are weighing heavily on demand for farmland, resulting in prices starting to slide. However, Mr Matsu also described the weak value of the pound and Bank of England monetary policy to stimulate activity as providing encouragement for the farming industry. Similarly, many contributors to the survey thought that farmland will remain a safe asset in the eyes of investors and expected demand for farmland to be underpinned by rollover money.

The average price per acre for farmland stood at £10,750 at the end of H1 2016, which represents an increase of 6.8% from £10,064 at the end of H2 2015. The average rent for arable farmland fell by 8.8% during the first six months of 2016 and by 3.1% over the twelve months to June 2016. The average rent for pasture farmland fell by 6.7% and 7.3% over the same periods, which caused yield on investment land to fall by 1.6% over the first six months of 2016.

Read more about the H1 2016 Rural Land Market Survey at: http://bit.ly/2dsRWUG

farm borrowing hits record high of £17.8 billion

Farm borrowing in the UK increased by 6.4% to reach a record high of £17.8 billion in the 12 months to June 2016, according to new figures from the National Farmers Union (NFU). The figures have revealed that farm borrowing increased by £208 million from May to June 2016, in comparison to a £163 million increase in the same period in 2015. Farmers also utilised 72% of the borrowing facilities available to them in June 2016, unchanged from June 2015. Overall, farm borrowing has increased by almost 90% in the past decade, while farmland prices have increased by 176% over the same period.

Despite the Bank of England's decision to cut interest rates to a record low of 0.25% in August 2016, the NFU has claimed that this does not necessarily mean that farmers will be encouraged to borrow more, or that borrowing levels will continue their upward trend.

The NFU has also claimed that the fall in the value of the pound following the UK's decision to leave the EU has boosted export prices and benefited farmers that produce predominantly for export, such as sheep and cheese farmers. As a result, improved cash flow may reduce the need for borrowing.

Nevertheless, some sectors, such as dairy and cereals, are facing a second consecutive year of significant fall in profits and will need to borrow to fund investment and mitigate cash flow issues. The NFU also expects the impact of low commodity prices to have an effect on farmers for a further 12 months. Meurig Raymond, President of the NFU said: *"Farmers borrowed £17.8 billion from banks in 2015 – a record high. This paints a picture for the many businesses having the profit squeezed out of them. Viable businesses cannot continue operating without profit and farms are no exception."*

http://bit.ly/2cxAXDq

in brief...

New £1.5 million programme to support family farms

The Prince's Countryside Fund has launched a £1.5 million programme to address the decline in the number of small family farms in the UK over the past decade. The five-year Prince's Farm Resilience Programme will provide one-to-one support and training to 300 family farms every year. In particular, the programme will assist farmers to assess their strengths and weaknesses, improve their financial management and develop an action plan to improve the long term sustainability of their farm. The programme will be overseen by a steering group of industry experts, including heads of agriculture from several major banks, the Tenant Farmers Association, the Agriculture and Horticulture Development Board and the Country Land and Business Association. The programme will run from 2016 to 2021. http://bit.ly/2dlq8Wt

Treasury guarantees EU funding for farmers

HM Treasury has confirmed that current levels of agricultural funding under CAP Pillar 1 will be upheld until 2020 to support farmers with transition to the new domestic arrangements, following the UK's decision to leave the EU. The Treasury has also guaranteed that all structural and investment fund projects, including agri-environmental schemes, signed before the Chancellor's Autumn Statement 2016 will be fully funded for the full length of each scheme, regardless of when the UK eventually leaves the EU. Arrangements will also be put in place to assess whether to guarantee funding for specific structural and investment fund projects that might be signed after the 2016 Autumn Statement, but while the UK remains a member of the EU. http://bit.ly/2bPABDe http://bit.ly/2dsRPZr

Half of farm businesses have no successor in place

Almost half (48%) of farm businesses do not have a farming successor in place, according to a survey by the Young Farmers Clubs of Ulster and the Ulster Farmers' Union. The survey has revealed that while one in five farm businesses believe they do not need to identify a successor, the majority have no successor in place because they find it difficult to raise the subject with their family. The survey also found that of those who have not identified a successor, 61% have not sought professional advice. However, just over half (53%) said they would be interested in a succession and inheritance planning advisory service. http://bit.ly/2d2Vg9A

Three-crop rule confirmed for BPS 2017

The Department for Environment, Food and Rural Affairs (Defra) has confirmed that the 'three-crop rule' will remain in place for the Basic Payment Scheme (BPS) in 2017. While Defra cannot publish full greening guidance until the European Commission confirms the complete set of BPS greening rules, it has confirmed that there will still be three greening rules in 2017 and that the spring/winter crop list will be unchanged. The Rural Payments Agency has also confirmed that there are no major changes planned to the current CAP greening rules, although there could be some minor reforms. Tom Harris, Business Consultant at land agents Berrys said: *"Although the UK voted for Brexit, nothing major is going to change for BPS schemes in 2017 as EU agri-environment schemes will still be in place."* http://bit.ly/2cP1lzu

Farmers to face tougher penalties for health and safety breaches

From 1 February 2017, farmers, company directors and employees convicted of health and safety offences, including corporate manslaughter, could face unlimited fines or imprisonment. The Health and Safety Executive has issued new penalties to address the high level of avoidable deaths in the agricultural sector, where an average of one death per week has been reported over the past decade. Under the new penalties, company directors and employees who are prosecuted as individuals could be jailed for up to two years, while a farm business with a turnover of up to £2 million could face a fine of up to £450,000. Previously, courts rarely imposed custodial sentences and individuals could only be fined up to £20,000. http://bit.ly/2dsR8z7

CPRE calls for farm subsidies 'revolution'

A reshaped Defra will invest 12% more capital during the current parliament to improve its response to animal and plant disease outbreaks, according to Environment Secretary Elizabeth Truss. Decentralising proposals include allowing farmers to maintain their own ditches without seeking permission and giving more powers to internal drainage boards to maintain their local watercourses. Integration at Defra will be achieved by operating a single back office shared by the Environment Agency, the Animal and Plant Health Agency, the Rural Payments Agency and Natural England. http://bit.ly/1pkGzDd

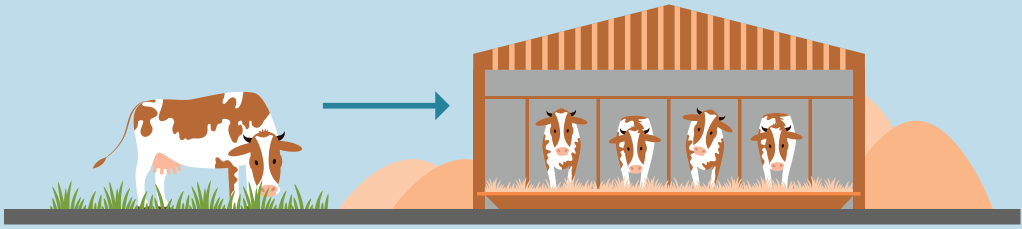
dairy farm profits fall by 25%

The net profits of dairy farms in the UK fell by around 25% in the twelve months to March 2016, according to recent figures. Non-aligned milk prices fell by four to six pence per litre in 2015/16, while supermarket-aligned milk suppliers recorded price cuts of between one and four pence per litre. Consequently, the average price per litre on some supermarket-aligned contracts fell by more than the cost of production, meaning many farms that supply milk to supermarkets are making little or no profit.

Milk prices are expected to increase modestly in 2016/17 and farmers are facing no significant improvement in their profitability. Furthermore, the fall in the value of sterling following the vote to leave the EU has made imports more expensive, particularly for dairy farms importing proteins such as soya.

With cash flow likely to be the greatest challenge for dairy farms, accountants are advising farmers to prepare robust cash flow forecasts to plan for profit fluctuations. Farmers are also being advised to think carefully before taking steps to reduce costs, to ensure that any spending or investment decisions do not jeopardise the long term sustainability of their business.

Read more about the fall in dairy farm profits at:
http://bit.ly/2cZrJBk



knilljames
chartered accountants

Head Office
One Bell Lane, Lewes
East Sussex BN7 1JU
Tel +44 (0)1273 480480
Fax +44 (0)1273 476941
info@knilljames.co.uk
www.knilljames.co.uk

London Office
3 Queen Square
London, WC1N 3AR
Tel +44 (0)207 843 9466

If you would like further information on any articles in this newsletter, please contact Kevin Powell, Nick Rawson or Suzanne Craig on the telephone number or email address above.

weaker pound may benefit UK farmers

The potential benefits of the impact of the decision to leave the EU on the value of sterling have been highlighted by the National Farmers Union (NFU). According to Anand Dossa, an economist at the NFU, the pound euro exchange rate is 'the single biggest determinant of the profitability of British farming'.

The UK government has promised that farmers will not lose out on CAP payments, which accounted for more than half of UK farming income in 2015, until 2020 at the earliest. Each EU member state's CAP allocation is calculated in euros but paid in its national currency. The pound-euro exchange rate applicable to the UK's share of the 2015 CAP budget was the most disadvantageous for eight years. However, according to Mr Dossa, if the UK's share of the 2016 CAP budget is converted at the current exchange rate, it will exceed the amount received in the previous year by £500 million. The average pound-euro exchange rate in

September 2016 will be used to calculate the UK's 2016 CAP allocation.

A weaker pound also gives UK farmers a competitive edge at home and abroad, due to the cost of UK produce falling for both domestic and overseas buyers. For example, following the referendum result, Irish beef became more expensive for UK buyers and UK farmed grain became cheaper for overseas farmers. Exports of food and drink produce from the UK were worth £18 billion in 2015, with the Republic of Ireland being the leading importer.

For further information, go to:
http://bbc.in/2d2W669